

Message Text

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TO AMCONSUL MARTINIQUE

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E.O. 11652: N/A

TAGS: EIND, EFIN

SUBJECT: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: (A) MARTINIQUE 196

(B) PARIS 9042

1. IN VIEW OF POINTS RAISED IN REF A, DEPT. REQUESTS ONLY BRIEF STATISTICAL SUMMARY AND NARRATIVE STATEMENT COVERING MARTINIQUE, GUADELOUPE AND FRENCH GUIANA, DESCRIBING THEIR RELATIONSHIPS TO FRANCE, AND ANY ECONOMIC CONDITION OF INTEREST TO POTENTIAL FOREIGN INVESTORS. IF CONSULATE DESIRES, NARRATIVE CAN BE TIED TO AMEMBASSY PARIS' SUBMISSION FOR FRANCE, THE TEXT OF WHICH FOLLOWS. SINCE INVESTMENT CLIMATE REPORT IS NEARING PUBLICATION, PLEASE RESPOND ASAP.

2. TEXT: THE MORE RECEPTIVE ATTITUDE WHICH HAS CHARACTERIZED FRENCH POLICY TOWARDS FOREIGN INVESTMENT IN THE 1970'S CONTINUES. THE MULTINATIONAL CORPORATION, ONCE SEEN AS A MENACE TO NATIONAL SOVEREIGNTY, WAS RECENTLY CHARACTERIZED BY THE MINISTER OF INDUSTRIAL DEVELOPMENT AS AN INEVITABLE STEP FOR THE GROWING ENTERPRISE, AND A "NETWORK OF INTERDEPENDENCE" THROUGH FOREIGN INVESTMENT IN BOTH DIRECTIONS WAS WELCOMED.

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FOREIGN INVESTMENT IN FRANCE IS SUBJECT TO GOVERNMENT

APPROVAL ON CASE BY CASE BASIS. THE OVERWHELMING MAJORITY OF APPLICATIONS ARE APPROVED WITHOUT UNDUE DELAY. THE GOVERNMENT IS PARTICULARLY RECEPTIVE TO INVESTORS WHO BRING NEW TECHNOLOGY OR FINANCING CAPACITY, CREATE EXPORT POSSIBILITIES, OR CREATE JOBS, PARTICULARLY IN LESS FAVORED AREAS. ON THE OTHER HAND, FOREIGN INVESTMENT IS RESTRICTED FROM THE NATIONALIZED SECTORS--SUCH AS BROADCASTING AND GAS AND ELECTRICITY, AND STRICTLY CONTROLLED IN SUCH SENSITIVE SECTORS AS PHARMACEUTICALS, TRANSPORTATION AND DEFENSE EQUIPMENT. FURTHERMORE, THE FRENCH GOVERNMENT CONTINUES TO HOLD THE VIEW THAT FOREIGN CONTROLLED FIRMS SHOULD NOT GAIN WHAT IT CONSIDERS TO BE A "DOMINANT" POSITION IN ANY GIVEN INDUSTRY. IN RECENT YEARS, THESE SENSITIVITIES HAVE BEEN NOTED RELATIVE TO ELECTRONICS, PERFUME, FOOD PROCESSING AND PAPER.

LEGALLY, THERE IS NO DISCRIMINATION BETWEEN FOREIGN AND LOCALLY OWNED ENTERPRISES ESTABLISHED IN FRANCE. FRANCE HAS A VERY ARTICULATED INDUSTRIAL POLICY, AND A WIDE ARSENAL OF MEANS TO CARRY IT OUT. THESE INCLUDE FINANCIAL INCENTIVES, GOVERNMENT PROCUREMENT AND ASSISTANCE IN RESEARCH AND DEVELOPMENT. ALTHOUGH 4/5THS OF STATE AID GOES TO NATIONALIZED ENTERPRISES, IT IS PROBABLE THAT SOME EMPHASIS IS GIVEN IN THE USE OF THE REMAINING 20 PERCENT TO STRENGTHENING "NATIONALLY OWNED" FIRMS OR TO PROMOTING MERGERS AMONG THEM OR WITH EUROPEAN ENTERPRISES.

NO SPECIAL TARIFF PREFERENCES ARE GRANTED NEW INDUSTRIES IN FRANCE. THE FRENCH GOVERNMENT DOES, HOWEVER, HAVE AN EXTENSIVE REGIONAL DEVELOPMENT PROGRAM TO ENCOURAGE COMPANIES, WHETHER FOREIGN-OWNED OR NOT, WHICH ESTABLISH INDUSTRIAL OR SERVICE FACILITIES IN DESIGNATED AREAS, CHIEFLY IN THE WEST AND SOUTH-WEST OF FRANCE AND IN NORTHERN AND NORTH-EASTERN BORDER REGIONS. INCENTIVES INCLUDE LOANS, DIRECT SUBSIDIES AND TAX RELIEF PLUS SUBSIDIES FOR EMPLOYEE RELOCATION, TRAINING, HOUSING AND THE PURCHASE OF LAND AND BUILDINGS. THESE AIDS ARE A WELL ADVERTISED AND RELATIVELY ACCESSIBLE INCENTIVE

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TO INVESTMENT IN THE AREAS BENEFITTED AND, THROUGH THEM, IN FRANCE IN GENERAL.

THE FRENCH ECONOMY IS SUBJECT TO A GREATER DIVERSITY OF GOVERNMENT REGULATION THAN THAT OF THE UNITED STATES.

CREDIT RESTRICTIONS ARE AT PRESENT THE MAJOR TOOL OF THE GOVERNMENT ANTI-INFLATIONARY POLICY, AND PRICE-CONTROL

MEASURES, A TRADITION IN FRANCE, HAVE RECENTLY BEEN
STRENGTHENED. THERE ARE NO WAGE-CONTROLS AS SUCH. IN

1974 THE FRENCH ECONOMY IS EXPECTED TO HAVE A GROWTH
RATE OF ABOUT FOUR PERCENT, WITH INFLATION AT MORE THAN
10 PERCENT. UNEMPLOYMENT DOES NOT CONSTITUTE A MAJOR
PROBLEM IN FRANCE. THE GOVERNMENT CONTINUES TO PLACE
THE HIGHEST PRIORITY ON FULL EMPLOYMENT AND LABOR PEACE,
EVEN AT THE EXPENSE OF INCREASED INFLATION. RUSH

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